

## Message Text

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ACTION STR-07

INFO OCT-01 STRE-00 ISO-00 AGRE-00 CEA-01 CIAE-00  
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05  
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05  
SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01  
DOE-15 XMB-02 OPIC-03 JUSE-00 AF-10 ARA-10 EA-10  
EUR-12 NEA-10 IO-13 OIC-02 /173 W  
-----058757 260618Z /10/43

R 251559Z JUL 78

FM USMISSION GENEVA  
TO SECSTATE WASHDC 2503  
INFO ALL EC CAPITALS  
AMCONSUL HONG KONG  
AMEMBASSY ISLAMABAD  
AMEMBASSY MADRID  
AMEMBASSY NEW DELHI  
AMEMBASSY OSLO  
AMEMBASSY OTTAWA

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C O R R E C T E D C O P Y (ISLAMABAD ADDED TO HEADING)

PASS STR ELECTRONICALLY

E.O. 11652: N/A

TAGS: ETRD, GATT

SUBJECT: GATT COUNCIL - JULY 24

REF: STATE 184341

GATT COUNCIL MET JULY 24 TO CONSIDER FOLLOWING TOPICS:

1. PROVISIONAL ACCESSION OF THAILAND -- WORKING  
PARTY ESTABLISHED WITH AMBASSADOR FARNON OF NEW  
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ZEALAND AS CHAIRMAN.

2. BALANCE OF PAYMENTS IMPORT RESTRICTIONS -- COUNCIL  
ADOPTED WITHOUT COMMENT REPORTS OF BOP CONSULTATIONS  
WITH FINLAND, ISRAEL, BRAZIL AND GREECE.

3. INTERNATIONAL TRADE CENTER -- REPORT ADOPTED.

4. GATT BUDGET -- REPORT ADOPTED. EGYPTIAN AND INDIAN DELS EXPRESSED CONCERN OVER POTENTIAL PROBLEM WITH FINANCING OF GATT TRAINING COURSES CAUSED BY UNDP DECISION TO FUND COURSES FROM COUNTRY RATHER THAN INTER-REGIONAL FUNDS. DG LONG SAID THAT HE IS STILL NEGOTIATING WITH UNDP IN HOPES OF WORKING OUT A SATISFACTORY SOLUTION.

5. CANADA - WITHDRAWAL OF TARIFF CONCESSIONS UNDER ARTICLE XXVIII:3 -- EC DEL (DUGIMONT) RESTATED COMMUNITY'S POSITION ON THIS ITEM AND EXPLAINED COMMUNITY'S INTERPRETATION OF ARTICLE XXVIII:2 AND XXVIII:3. HE SAID IT WAS CLEAR, IF NEGOTIATIONS WERE UNSUCCESSFUL UNDER XXVIII:2, THAT A COUNTRY COULD TAKE RETALIATORY ACTION UNDER XXVIII:3. HE THEN ASKED IF ANYONE DISAGREED WITH THIS INTERPRETATION. CANADIAN DEL NOTED THAT THE PANEL HAD MADE A FINDING AIMED AT MAINTAINING THE HIGHEST LEVEL OF CONCESSIONS AND THAT THE COUNCIL, AT ITS LAST MEETING, HAD DIRECTED THE TWO PARTIES TO CONTINUE BILATERAL CONSULTATIONS. HE SAID THAT THE TWO DELEGATIONS HAVE NOT DISCUSSED THE MATTER SINCE THE LAST COUNCIL. HE REPEATED CANADA'S WILLINGNESS TO CONTINUE A BILATERAL SEARCH FOR A SOLUTION. AUSTRALIA, SUPPORTED BY U.S. AND AUSTRIA, NOTED THAT THE SHORT TIME SINCE THE LAST COUNCIL MEETING HAD BEEN TAKEN UP BY PREPARATIONS AND WORK IN THE MTN, AND LIMITED OFFICIAL USE

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RECOMMENDED THAT THE AGENDA ITEM BE CARRIED OVER TO THE NEXT MEETING OF THE COUNCIL IN ORDER TO ALLOW DELS TIME TO CONSIDER THE MATTER MORE FULLY. THE EC REPEATED THAT, AS FAR AS IT WAS CONCERNED, THE MATTER WAS FINISHED, AND THE EC EXPECTS THAT THE COUNCIL, AT ITS NEXT MEETING, WILL TAKE THE NECESSARY DECISION.

6. SPAIN - MEASURES ON IMPORTS OF PULP -- SPANISH DEL, IN LONG, RAMBLING DISCOURSE, CLAIMED THAT THERE WERE NO OFFICIAL QRS ON IMPORTS OF PULP. THEREFORE, SPAIN DID NOT HAVE TO NOTIFY SUCH ACTIONS TO THE GATT. HE POINTED OUT THAT THERE WERE SEVERAL GATT "LEGAL" WAYS IN WHICH THE SPANISH AUTHORITIES COULD HAVE TAKEN ACTION, EITHER UNDER ARTICLE XIX, ANTIDUMPING ACTION, OR BY INCREASING THE UNBOUND TARIFF RATES ON PULP. HE ARGUED THAT THE PROPER PROCEDURE FOR THE SWEDISH DEL TO FOLLOW WOULD HAVE BEEN TO REQUEST CONSULTATIONS UNDER ARTICLE XXIII:1. AFTER HAVING MADE THESE CLAIMS OF GOVERNMENT NON-INTERVENTION, HE EXPLAINED HOW SPANISH PAPER PRODUCERS, FEARING THAT GOS MIGHT TAKE RESTRAINING ACTION, HAD AGREED WITH THE PULP PRODUCERS ON A LIMITATION OF IMPORTS. HE ARGUED, HOWEVER, THAT THE SO-CALLED REDUC-

TION IN IMPORTS WAS A REDUCTION FROM ABNORMALLY HIGH LEVELS AND WAS DESIGNED ONLY TO BRING IMPORTS BACK TO A MORE NORMAL LEVEL. HE SAID THAT IMPORTS OF PULP WERE AT AN UNUSUALLY HIGH LEVEL BECAUSE OF UNACCEPTABLY LOW PRICES WHICH DID NOT CORRESPOND TO NORMAL. THE SITUATION WAS EXACERBATED BY ABNORMALLY LONG FINANCING ARRANGEMENTS FOR IMPORTS OF PULP. HE THEN READ A CONFUSING LIST OF IMPORT FIGURES FOR THE FIRST 3 MONTHS OF THIS YEAR WHICH HE CLAIMED SHOWED THAT SPAIN HAD AUTHORIZED TWO TIMES THE VOLUME OF PULP IMPORTS AS IN PREVIOUS YEARS (SWEDISH DEL ASKED THAT FIGURES BE CIRCULATED). AT PRESENT HE SAID THERE IS NO BACKLOG OF LICENSES EXCEPT FOR SEVEN LICENSE REQUESTS TOTALING 1,000 TONS. SWEDISH DEL (DE GEER) SAID THAT THE UNOFFICIAL QUOTAS CONSTITUTE A LIMITED OFFICIAL USE

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REAL OBSTACLE TO NORDIC EXPORTS. ALTHOUGH THERE MIGHT BE LEGITIMATE REASONS FOR THESE RESTRAINTS, THEY HAVE NOT BEEN NOTIFIED AND SPAIN SHOULD DO SO. UNTIL THE

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RESTRAINTS ARE NOTIFIED IN THE USUAL WAY, HE REQUESTED THAT THE MATTER REMAIN ON THE COUNCIL AGENDA. HE ALSO INDICATED THAT SWEDEN MAY REQUEST CONSULTATIONS UNDER ARTICLE XXII ALTHOUGH HE TOOK NOTE THE SPANISH DEL'S SUGGESTION THEY BE HELD UNDER ARTICLE XXIII. THE CANADIANS STATED THEIR INTEREST IN MATTER AND THEIR EXPECTATION THAT ANY MEASURES TAKEN BY SPAIN BE CONSISTENT WITH THE GA. WE ALSO NOTED OUR CONCERN AND POINTED OUT THAT AUTOMATIC LICENSING SYSTEMS SHOULD NOT BE USED TO RESTRAIN TRADE. WE SAID THAT ARTICLE XXII ALSO APPEARED TO BE THE PROPER PROCEDURE TO FOLLOW INITIALLY.

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7. JAPANESE RESTRAINTS ON LEATHER -- SEE SEPTEL.

8. EC/CYPRUS AND EC/MALTA REPORTS -- COUNCIL TOOK NOTE OF REPORTS.

9. PROCEDURES FOR NEGOTIATIONS UNDER ARTICLE XXVIII-- CANADA POINTED OUT THAT SECRETARIAT PAPER ON ARTICLE XXVIII CONTAINED SEVERAL NEW ELEMENTS ABSENT FROM ORIGINAL 1957 DOCUMENT. HE THOUGHT THAT ADDITION OF TIME LIMIT OF 90 DAYS FOR CLAIMS OF INTEREST WAS A USEFUL DEPARTURE FROM PREVIOUS PRDCEDURE. HE ALSO SUGGESTED MINOR CHANGES TO TEXT FOR CLARIFICATION. INDIAN, PAKISTAN, EGYPTIAN AND KOREAN DELS ASKED THAT ITEM BE CARRIED OVER TO NEXT COUNCIL IN ORDER TO ALLOW SECRETARIAT TO EXPLAIN TO THEM REASONS FOR CHANGES THAT HAVE BEEN MADE FROM PREVIOUS DOCUMENT. PAKISTAN DEL ALSO EXPRESSED CONCERN OVER IMPLICATIONS OF PARA 3 AND WONDERED IF IT WOULD AFFECT THE FLEXIBILITY WHICH GOVERNS SUCH NEGOTIATIONS WITH LDCS, PARTICULARLY IN LIGHT OF ARTICLE XXXVI:8. CHAIRMAN AGREED THAT MATTER SHOULD BE DISCUSSED FURTHER AT NEXT COUNCIL MEETING.

10. DATES OF 34TH SESSION -- DATES APPROVED AS PER C/103. DUE TO COMMUNICATIONS ERROR INSTRUCTIONS STATE 184343 ARRIVED AFTER COUNCIL MEETING. WE HAVE INFORMED GATT SECRETARIAT THAT U.S. MAY WISH TO REOPEN QUESTION OF DATES AT NEXT MEETING OF COUNCIL.

11. NORWAY RESTRAINTS ON TEXTILES -- UNDER OTHER BUSINESS HONG KONG RAISED ISSUE OF NORWEGIAN RESTRAINTS

ON TEXTILE IMPORTS FROM HONG KONG. HE SAID THE TWO  
DELEGATIONS HAD HELD CONSULTATIONS ON 28-29 JUNE BUT HAD  
FAILED TO REACH AGREEMENT. NORWAY HAD INFORMED HONG  
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KONG THAT IT WOULD INVOKE ARTICLE XIX ON A GLOBAL BASIS  
(NOTIFICATION CONTAINED IN L/4692 DATED 24 JULY).  
HONG KONG STILL BELIEVES THAT ITS GATT RIGHTS HAVE BEEN  
IMPAIRED DURING THE PERIOD FROM JANUARY 1978 UNTIL NOR-  
WAY INVOKED ARTICLE XIX, BUT NOTES THAT THE BASIS FOR  
ITS ORIGINAL REFERENCE OF THE MATTER TO THE COUNCIL HAD  
BEEN CHANGED AS A RESULT OF THE NORWEGIAN NOTIFICATION.  
HE SAID THAT HIS DELEGATION WOULD AWAIT FURTHER DETAILS  
BEFORE DECIDING WHAT PROCEDURE IT WOULD FOLLOW, BUT MAY  
ASK FOR CONSULTATIONS UNDER ARTICLE XIX. THE CHAIRMAN  
INDICATED HE WOULD NOT TAKE ANY FURTHER STEPS FOR THE  
ESTABLISHMENT OF A PANEL AS HAD BEEN AGREED IN THE JUNE  
MEETING OF THE COUNCIL.

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12. OECD STEEL COMMITTEE -- INDIAN DEL, RECALLING  
HE HAD ASKED FOR INFORMATION ON STEEL TALKS AT MAY  
MEETING OF COUNCIL, NOTED THAT ANNEX OF MTN STATUS REPORT  
(MTN/INF/33) HAD GIVEN OBJECTIVES FOR THE FORMATION OF A  
STEEL COMMITTEE IN THE OECD. HE ASKED THAT THIS INFORMA-  
TION BE APPENDED TO THE COUNCIL REPORT AND SAID HE DID  
NOT YET UNDERSTAND THE IMPLICATIONS OF THIS COMMITTEE  
FOR THE FUNCTIONING OF THE GATT. HE ASKED THAT DEVELOP-  
MENTS IN THE STEEL COMMITTEE BE KEPT UNDER REVIEW BY  
THE COUNCIL. U.S. DEL MADE STATEMENT AS PER PARA 11(B)  
REFTEL.

-" "ARA 11(B)

13. GATT STUDY OF ARTICLE XIX -- INDIAN AND  
PAKISTAN DELS PRAISED SECRETARIAT'S STUDY OF ARTICLE XIX.  
PAKISTAN DEL SAID THAT STUDY SHOULD SET AT REST ANY  
THOUGHTS OF TRYING TO INTRODUCE FUNDAMENTAL CHANGES IN  
THE GENERAL AGREEMENT UNDER THE GUISE OF INTERPRETATION.  
HE SAID ALL SHOULD NOW RECOGNIZE THAT IF CHANGES ARE  
TO BE MADE IN THE GA, THEY MUST BE BASED ON CONSENSUS.

VANDEN HEUVEL

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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**Decapton Date:** 01 jan 1960  
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